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CENTRAL INTELLIGENCE AGENCY

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COUNTRY East Germany

REPORT

SUBJECT Development of Capital Assets in the East German Economy

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a report concerning the development of net values of capital assets of the East German nationalized economy in 1954, 1955, and 1956.

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The volume of capital assets has increased both as a whole, as well as in all individual administrative areas, (except in the HV [Hauptverwaltung, Main Administration] ~~Pharmaceutics~~).

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Development of Net Values

	Net Value 1955	Net Value 1956	Net Value 1956
	1954 equals 100	1955 equals 100	
State-owned Economy (Z) total:	117.8	129.6	110.0
Of this, Industry:	110.4	120.6	109.2
Ministry of Coal and Power	118.5	133.5	112.6
Ministry of Mines and Metallurgy	95.6	116.1	121.5
Ministry for the Chemical Industry	103.3	104.4	101.1
Ministry of Heavy Machine Construction	93.0	98.9	106.4
Ministry of General Machine Construction	98.9	110.2	111.4
Ministry of Light Industry	105.7	117.8	111.4
Ministry of Construction	227.3	300.2	132.1
Main Administration, Geological Commission	118.9	157.7	132.6
Main Administration, Pharmaceutics	124.3	106.2	85.5
Ministry of the Food Industry	115.5	127.3	110.3
Ministry of Agriculture	213.3	256.1	120.1
Ministry of Transportation	121.2	131.6	108.5
Ministry of Trade and Supply State Secretariat for Purchase and Compulsory Delivery	115.1	141.6	123.0

The development of the net values of capital assets in 1956 slackened by comparison with the 1955 rate. The increase in the state-owned centrally-administered economy was 9.2 percent less than during the previous year, of ^{this,} ~~which~~ the increase in industry was 1.3 percent less. The fact that this development affects chiefly the heavy industry sector is especially disadvantageous. The increase in the volume of capital assets in 1956 is attributable to structural changes; as a matter of fact, 52 seed development

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centers, which had been ~~locally~~ administered locally up to that time, ~~locally~~ were put under central administration.

In evaluating the table showing the organic composition, it should be noted that on the one hand, only amortizations were considered ^{AS} operating funds, and on the other, the wages of those employed in the non-productive sphere, were included in the wage figure.

Organic Composition

$$\frac{C}{V} \times 100$$

By percentage

	1955	1956
<i>Not determined</i> State-owned Economy (2) (total):	11.8	12.6
Of this, Industry:	11.6	13.3
Ministry of Coal and Power)		
Ministry of Mining and Metallurgy)	23.7	25.1
Ministry for the Chemical Industry)		
XXXXXXXXXXXXXXXXXXXX		
Ministry of Heavy Machine Construction	5.6	5.8
Ministry of General Machine Construction	4.7	5.3
Ministry of Light Industry	4.6	5.5
Ministry for the Food Industry	12.8	14.1
Ministry of Construction	8.8	15.8
Main Administration, Geological Commission	17.7	19.0
Ministry of Agriculture	4.5	3.4
Ministry of Transportation	18.9	18.7
Ministry of Trade and Supply		
State Secretariat for Purchase and <i>the collection of</i>		
Compulsory Delivery <i>and financial of</i>	5.9	3.1
<i>Agricultural products</i>		

The 6.7-percent increase in the organic composition of the state-owned, centrally administered economy results from the 14.6-percent increase in the organic

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composition of industry. In both agriculture and trade, the organic composition decreased in 1956, compared with the previous year. This is due to the fact that the wage figure increased at a faster rate than the volume of operating funds. For example, the 1956 volume of operating funds in agriculture increased by only 18.2 percent over that of 1955, while the annual gross wage figure increased by 24.0 percent [during the same period].

	<u>Actual</u> Material <u>Current Funds</u>	x 100
	Capital Assets (net value)	
	By percentage	
	1955	1956
Industry, total	27.7	30.3
Ministry of Coal and Power	9.6	9.2
Ministry of Mining and Metallurgy	13.9	13.7
Ministry for the Chemical Industry	15.6	18.0
Ministry of Heavy Machine Construction	59.6	70.1
Ministry of General Machine Construction	80.2	98.9
Ministry of Light Industry	55.0	55.5
Ministry of Culture, Main Department for Polygraphy	39.7	41.7
Ministry of Culture, Main Department for Films and Publications	30.3	31.0
Ministry for the Food Industry	35.5	31.3
Ministry of Construction	11.2	12.7
Main Administration, Geological Commission	9.1	10.4
Main Administration, Pharmaceuticals	41.7	56.7

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 In 1956, actual current funds in the state-owned, centrally-administered industries amounted to 30.3 percent of the volume ^(CAPITAL ASSET) ~~capital assets~~, representing an increase of 9.3 percent over the 1955 figure. This conflicts with endeavors

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to constantly reduce capital asset obligations and leads to increased credit requirements.

Current fund shares have declined only in the sphere of activity of the Ministries of Coal and Power, Mining and Metallurgy, and the Ministry ^{of} ~~for~~ the Food Industry.

IV. Study of Ratios

In the state-owned, centrally-administered economy, ~~the~~ gross production per 1,000 DM representing the net value of capital assets, ^{was} ~~the~~ 2.1 percent less in 1956 than ~~the~~ during the previous year.

	<u>Gross Production</u>	
	(Prices as listed in the Plan)	
	Per 1,000 DM	
	Net Value	
	1955 (Thousand DM)	1956
State-owned Economy (Z) total:	1,000	979
Of this, Industry:	1,782	1,754
Ministry of Coal and Power	666	631
Ministry of Mining and Metallurgy	1,369	1,388
Ministry ^{of} for the Chemical Industry	1,433	1,551
Ministry of Heavy Machine Construction	2,548	2,571
Ministry of General Machine Construction	3,989	3,947
Ministry of Light Industry	4,019	3,816
Ministry ^{of} for the Food Industry	3,269	3,094
Ministry of Construction	448	388
Main Administration, Geological Commission	201	227
Main Administration, Pharmaceuticals	22	22
Ministry of Agriculture	47	43
Ministry of Transportation	58	60
Ministry of Trade and Supply)		
State Secretariat for Purchase and)	166	132
Compulsory Delivery)		

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An increase in the gross production per 1,000 DM of the net value is indicated only for the heavy industry sector (with the exception of the Ministry of Coal and Power), which shows a 3-percent increase, and for the transportation sector, where the increase amounts to 3.4 percent.

	<u>General Repairs</u>	
	<u>Investments</u>	
	1955	1956
State-owned Economy (Z) total:	20.5	19.0
Of this, Industry:	19.7	19.9
Ministry of Coal and Power	15.2	16.4
Ministry of Mining and Metallurgy	17.5	16.4
Ministry ^{of} for the Chemical Industry	33.6	45.8
Ministry of Heavy Machine Construction	24.8	25.8
Ministry of General Machine Construction	30.6	20.9
Ministry of Light Industry	25.1	27.3
Ministry of Culture, Main Department for Polygraphy	---	73.1
Ministry of Culture, Main Department for Films and Publications	---	16.9
Ministry ^{of} for the Food Industry	13.4	20.0
Ministry of Construction	16.8	11.2
Main Administration, Pharmaceuticals	15.9	19.3
Main Administration, Geological Commission	10.0	5.0
Ministry of Agriculture	4.3	9.7
Ministry of Transportation	34.0	25.6
Ministry of Trade and Supply		
State Secretariat for Purchase and Compulsory Delivery	9.7	7.7

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During both years [1955-1956], average expenditures for general repairs in the state-owned, centrally-administered economy amounted to 19.8 percent ^(allocated for such purposes) of the investment sum. The Ministries for the Chemical Industry, Light Industry, and Transportation carried a far greater share of the general repairs in their areas of jurisdiction. This ^{has} ~~will have~~ an adverse effect upon the up-to-date quality of capital assets in these areas. ~~(see page) (page number omitted in original)]~~.

	<u>Increases in Capital Assets</u>	
	<u>Decreases in Capital Assets</u>	
	1955	1956
State-owned Economy (Z) total:	1.9	1.9
Ministry of Coal and Power	2.3	1.9
Ministry of Mining and Metallurgy	1.7	1.7
Ministry ^{of} for the Chemical Industry	1.3	1.1
Ministry of Heavy Machine Construction	1.5	1.9
Ministry of General Machine Construction	1.5	2.1
Ministry of Light Industry	1.9	2.4
Ministry of Culture, Main Department for Polygraphy	---	1.1
Ministry of Culture, Main Department for Films and Publications	---	2.0
Ministry ^{of} for the Food Industry	2.8	2.1
Ministry of Construction	2.1	3.0
Main Administration, Pharmaceuticals	4.4	0.4
Main Administration Administration, Geological Commission ✓	2.7	3.6

In 1955, average gains of capital assets in the state-owned, centrally-administered economy were 1.9 times higher than the losses. This factor remained generally unchanged in 1956. The development rate of capital assets ~~was~~ ~~was~~ was in a state of stagnation in the entire industry because ~~of~~ ~~of~~ of the continuing low level of investment activities.

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While heavy industry showed a decline in the development rate of capital assets in 1956, the greatest absolute gain in the rate of capital assets occurred in the areas of activity of the Ministries of Coal and Power, Mining and Metallurgy, and the Ministry ^{of} ~~for~~ the Chemical Industry. The large share ^{held by} of the Ministry of Coal and Power in the capital assets of the state-owned, centrally-administered economy is especially significant.

In million DM	State-owned ^{Industry} Economy Economy (Z)		Of this: Ministry of Coal and Power		Share of the Ministry of Coal and Power (in %)	
	1955	1956	1955	1956	1955	1956
Capital Asset Gains	3,221.1	3,610.1	1,390.4	1,482.9	43.1	41.0*
<u>Of this:</u> Through Investments	2,200.1	2,505.7	991.1	1,062.6	45.0	42.4
Through General Repairs	433.2	499.6	150.7	174.9	34.7	35.0
Capital Asset Losses	1,711.9	1,930.7	606.2	767.3	35.4	39.7
<u>Of this:</u> Through Amortizations	1,102.1	1,255.9	354.4	417.8	32.1	33.2
					50X1-HUM In percentage	

On the negative side, it should be taken into account that, despite the priority status of the coal and power program, the share of the Ministry of Coal and Power in overall gains declined by 5 percent, and its share in investments by 5.8 percent during 1956, compared with 1955.

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